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ATLANTIC ENERGY CONSERVATION INVESTMENT PROGRAM



Energy, Mines and
Resources Canada

Énergie, Mines et
Ressources Canada

ATLANTIC ENERGY CONSERVATION INVESTMENT PROGRAM (AECIP)


Reducing energy consumption: Enhancing profitability

Summary of a profit-making scenario...

- You are operating a private sector company with a significant energy overhead.
- There is room for improvement to your energy systems that would result in decreased overhead and ultimately enhanced profitability.
- However, the cost of undertaking such a project is high. The payback period is greater than three years and less than eight years.
- You learn about the Atlantic Energy Conservation Investment Program and discover that:

AECIP can help with the financing

- AECIP assistance is available to a wide range of industrial and service sectors.
- AECIP contributes up to 50 per cent of the eligible capitalized costs for improvements to existing buildings, building systems, industrial processes or manufacturing operations that result in decreased energy consumption.
- Free energy audits through the National Energy Audit Program (NEAP) help determine where improvements are feasible.
- There is no minimum project size and contributions are generally available to a maximum of four million dollars.
- You investigate further and decide to take action that will improve your profitability.



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PROGRAM DESCRIPTION

The Atlantic Energy Conservation Investment Program (AECIP), part of the Government of Canada's energy policy, was implemented for the purpose of encouraging energy conservation by the private sector in the Atlantic provinces.

The program will operate until March 31, 1986 and has a total of 40 million dollars available for incentives for energy conservation projects in an area of Canada which depends heavily on imported oil for a large portion of the total energy requirements.

Under the program, eligible projects may include improvements or modifications to existing:

- buildings,
- building systems,
- industrial processes, or
- manufacturing operations

that will result in decreased energy consumption while maintaining or increasing fuel efficiency. Cogeneration projects are also eligible.

The objective of the program is to support energy conservation projects which would not proceed without financial assistance. Eligible projects must have a payback period, based on eligible capitalized costs and energy savings, of more than three years and fewer than eight years. The size of the contribution will vary depending on the payback period and will range from a minimum of 10 per cent to a maximum of 50 per cent of the eligible capitalized costs of materials and equipment, installation and project management. There is no minimum project size and contributions are generally available to a maximum of four million dollars.

Eligible applicants are not limited as to the number of projects receiving support during the life of the program.

ELIGIBILITY CRITERIA

Eligible Companies and Institutions

The program is available to privately owned industrial, commercial and institutional firms or organizations. Firms or organizations which are federally, provincially or municipally owned, except for certain designated Crown Corporations, are not eligible.

The facilities involved must be in Atlantic Canada and must have been in existence prior to October 28, 1980. The total annual energy consumption of the facility, excluding energy for mobile equipment for transportation and construction, must be equal to or greater than \$5 000 (\$10 000 in Nova Scotia) or the energy equivalent of 200 000 kWh.

Non-government firms or organizations in the following sectors are eligible to participate:

- Agriculture
- Communications
- Construction
- Finance, Real Estate, Insurance
- Fish Processing
- Forestry
- Institutions and Organizations
- Manufacturing
- Mining
- Services (general)
- Trade (wholesale and retail)
- Transportation (including storage)

NOTE

Mobile and maritime mobile equipment will not be eligible under the program.

Eligible Projects

Eligible energy conservation projects include:

- changes in industrial processes or manufacturing operations implemented primarily to conserve energy;
- upgrading buildings and/or systems to conserve energy which may include, but is not limited to, insulating, lighting, ventilating, air conditioning or energy-management devices;
- retrofitting heating systems to conserve energy;
- waste heat recovery projects;
- cogeneration.

The project to be implemented must be based on proven technology. In addition, the project must conform to all relevant municipal, provincial and federal codes and regulations including those related to environmental matters.

Prior Commitment

An AECIP contribution cannot be offered if the applicant has made any prior commitment to purchase or install eligible materials, equipment or services, whether or not the commitment remains in force, before the date on which an application is officially registered by the department.

Leased Facilities/Equipment

Modifications to leased premises or equipment are eligible providing the applicant has a valid lease for at least two years immediately following project completion. In the case of leased premises, the property owner must meet eligibility criteria. The applicant must also obtain the lessor's written permission to proceed with the project.

Eligible Costs

Only capitalized costs¹ incurred by the applicant for materials, labour, supplies and equipment required in the construction of the project are eligible under AECIP. These include:

- fees paid to contractors engaged by the applicant;
- project management costs incurred after project approval;
- direct costs of related party transactions;²
- in-house direct costs.³

Maintenance expenses, land costs, interest charges, other carrying charges, and those costs incurred with respect to feasibility studies and design studies are ineligible.

¹ **Capitalized costs** means the sum of Capital Expenditures as defined in *Terminology for Accountants* published by the Canadian Institute of Chartered Accountants.

² **Related party transactions** means a transaction as defined in Section 3840 of the *Canadian Institute of Chartered Accountants Handbook*.

³ **In-house costs** means capitalized costs of the applicant's materials, supplies and equipment taken from inventory and charged to the project at prices not in excess of direct costs and the direct cost of applicant's hourly paid labour.

PROGRAM PROCEDURES

Energy Information

Before applying to AECIP, the applicant must have energy usage information available for the preceding two years of operation as well as estimated energy savings and other savings or costs that will be a direct result of the proposed project.

The National Energy Audit Program (NEAP), funded by the Canadian and provincial governments on a cost-sharing basis, provides an energy audit service free of charge to industrial, commercial and institutional organizations. This service identifies the energy consumption patterns of the facility and pinpoints areas of potential energy savings. Further information on NEAP may be obtained from the following offices:

- Newfoundland Department of Mines and Energy
- Prince Edward Island Department of Energy and Forestry
- Nova Scotia Department of Mines and Energy
- Research and Productivity Council (New Brunswick)

Energy audits may also be obtained from engineering consultants but at the expense of the applicant. In many simple cases, the NEAP audit is sufficient for an application to AECIP. For more complex cases, the project may require additional studies and design before it can be considered ready for implementation and these must be completed prior to making an application to AECIP. Consulting assistance grants are also available under NEAP for these requirements.

The applicant may use in-house staff to prepare an audit and calculate energy savings providing the work is carried out under the direction of a professional engineer. Energy savings estimates must relate directly to the project defined in the application.

Registration

In order for an application to be registered the applicant must supply all required information. Applications are normally reviewed on the day they are received to verify if they contain all necessary information. The applicant is then informed in writing either that the application has been officially registered or that additional information is required. Projects started before receiving written confirmation of registration will not be eligible for a contribution.

Evaluation

A thorough evaluation of the application is made based on the eligibility criteria of the program. Providing the basic eligibility requirements are met, the evaluation takes into consideration such factors as the following:

- technical viability of the project;
- accuracy and adequacy of the energy savings estimates;
- financial viability of the applicant;
- project payback period.

If the project payback period is greater than three years and less than eight years, and the project meets all other eligibility criteria, an offer will be made which will range from 10 per cent to 50 per cent of the eligible capitalized costs. The level of contribution will assist in reducing the project payback period to three years.

In the application, all information on other government assistance relating to the project must be provided. Where applicable other government assistance will be taken into consideration in the calculation of the AECIP offer.

Contribution Agreement

Once the evaluation is completed and approved, the applicant is sent a proposed contribution agreement which includes the contribution amount, the project commencement date and the project completion date. In addition, the proposed agreement will outline the proposed project, the estimated eligible capital cost, and all other terms and conditions.

A proposed contribution agreement must be accepted within 60 days unless reasons can be given by the applicant for this deadline to be extended.

Payment

Payment is usually made after the project completion date although progress payments can be negotiated for large projects. Within six months of the project completion date the applicant must submit a payment claim together with the inspection report and sufficient documentation (for example copies of paid invoices) to demonstrate completion of the project and to verify eligible capitalized costs.

For the purpose of calculating the amount of the contribution, the department will not approve any capitalized costs that are in excess of 110 per cent of the estimated eligible capitalized costs unless an agreement is reached with the program officials before the excess costs are incurred.

Incentive contributions are exempt from income tax. However, for capital cost allowance purposes, the value of the assets of the facility must be decreased by an amount equal to the incentive received, as referred to in the Revenue Canada Interpretation Bulletin IT-273, or such changes or amendments in effect at the time of the contract.

Program Follow-Up

An applicant is required to submit an annual energy usage report for each year during the two-year period following completion of the project.

ADDITIONAL INFORMATION

For further information regarding AECIP, please contact one of the Conservation and Renewable Energy Offices of Energy, Mines and Resources Canada:

in NEWFOUNDLAND and LABRADOR

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